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## Globalisation and its critics

Sep 27th 2001

From The Economist print edition

**Globalisation is a great force for good. But neither governments nor businesses, Clive Crook argues, can be trusted to make the case**



PUBLICATION of this survey had originally been intended to coincide with the annual meetings of the World Bank and the International Monetary Fund, scheduled for September 29th-30th in Washington, DC. Those meetings, and the big anti-globalisation protests that had been planned to accompany them, were among the least significant casualties of the terrorist atrocities of September 11th.

You might have thought that the anti-capitalist protesters, after contemplating those horrors and their aftermath, would be regretting more than just the loss of a venue for their marches. Many are, no doubt. But judging by the response of some of their leaders and many of the activists (if Internet chat rooms are any guide), grief is not always the prevailing mood. Some anti-globalists have found a kind of consolation, even a cause of satisfaction, in these terrible events—that of having been, as they see it, proved right.

To its fiercest critics, globalisation, the march of international capitalism, is a force for oppression, exploitation and injustice. The rage that drove the terrorists to commit their obscene crime was in part, it is argued, a response to that. At the very least, it is suggested, terrorism thrives on poverty—and international capitalism, the protesters say, thrives on poverty too.

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These may be extreme positions, but the minority that holds them is not tiny, by any means. Far more important, the anti-globalists have lately drawn tacit support—if nothing else, a reluctance

to condemn—from a broad range of public opinion. As a result, they have been, and are likely to remain, politically influential. At a time such as this, sorting through issues of political economy may seem very far removed from what matters. In one sense, it is. But when many in the West are contemplating their future with new foreboding, it is important to understand why the sceptics are wrong; why economic integration is a force for good; and why globalisation, far from being the greatest cause of poverty, is its only feasible cure.

Undeniably, popular support for that view is lacking. In the developed economies, support for further trade liberalisation is uncertain; in some countries, voters are downright hostile to it. Starting a new round of global trade talks this year will be a struggle, and seeing it through to a useful conclusion will be harder. The institutions that in most people's eyes represent the global economy—the IMF, the World Bank and the World Trade Organisation—are reviled far more widely than they are admired; the best they can expect from opinion at large is grudging acceptance. Governments, meanwhile, are accused of bowing down to business: globalisation leaves them no choice. Private capital moves across the planet unchecked. Wherever it goes, it bleeds democracy of content and puts “profits before people”.

Who will speak up for international capitalism? Governments and businesses. What a pity that is. These supposed defenders of globalisation may do more to undermine support for it than the critics.

Rich-country governments generally present economic integration to voters as an unfortunate but inescapable fact of life: as a constraint, that is, on their freedom of action. For the past ten years, this has been the favourite excuse of any government about to break an election promise.

Multinational businesses, for their part, with their enlightened mission statements, progressive stakeholder strategies, flower-motif logos and 57-point pledges of “corporate social responsibility”, implicitly say that they have a case to answer: capitalism without responsibility is bad. That sounds all right; the trouble is, when they start talking about how they will no longer put profits first, people (rightly) think they are lying. If, as these defenders of economies without borders lead you to conclude, global capitalism is a cause of democratic paralysis and a cloak for old-fashioned corporate venality, even instinctive liberals ought to side with the sceptics.

With advocates like these on either side of the globalisation debate—disassembling governments and businesses in favour, angry and uncompromising protesters against—it is natural that the general public stands firmly in support of neither. It has no deep commitment to international capitalism, but it can see no plausible alternative. Certainly, the protesters do not appear to be offering one. So people are mostly puzzled, anxious and suspicious. This climate of opinion is bad for democracy and bad for economic development.

This survey offers a few suggestions for a more purposeful kind of discussion. It would be foolish to suppose that consensus will ever be possible. Some of the sceptics are opposed not just to globalisation or even to the market economy but to the very idea of economic growth. That view has the virtue of coherence, at least, but it is unlikely in the foreseeable future to command a large following.

Nonetheless, in among all their weak arguments, dangerous good intentions and downright loony notions, the sceptics are hiding some important points. Clarifying what makes sense in the sceptics' case, and exposing the mistaken or dishonest arguments that politicians and businessmen are putting up against them, may serve some purpose. And a clearer understanding of the arguments for globalisation, of the problems it solves as well as the problems it creates, may help as well.

## **Good old invisible hand**

The strongest case for globalisation is the liberal one. It is almost never heard, least of all from governments or businessmen. International economic integration, on the liberal view, is what happens when technology allows people to pursue their own goals and they are given the liberty to do so. If technology advances to the point where it supports trade across borders, and if people then choose to trade across borders, you have integration, and because people have freely chosen it this is a good thing. Also, again because people have freely chosen this course, you would expect there to be economic benefits as well.

By and large, theory and practice confirm that this is so. Adam Smith's invisible hand does its work. People choose what serves their own self-interest, each of them making that judgment for himself. The result is that society as a whole prospers and advances—spontaneously, not by design of any person or government.

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All kinds of qualifications and elaborations are needed, obviously, to fill out the argument properly. This survey will offer some of them in due course. But it is essential to understand one point from the outset. The liberal case for globalisation is emphatically not the case for domestic or international laissez faire. Liberalism lays down no certainties about the requirements of social justice in terms of income redistribution or the extent of the welfare state. It recognises that markets have their limits, for instance in tending to the supply of public goods (such as a clean environment). A liberal outlook is consistent with support for a wide range of government interventions; indeed a liberal outlook demands many such interventions.

But the starting point for all liberals is a presumption that, under ordinary circumstances, the individual knows best what serves his interests and that the blending of these individual choices will produce socially good results. Two other things follow. The first is an initial scepticism, at least, about collective decision-making that overrides the individual kind. The other is a high regard for markets—not as a place where profits are made, it must be stressed, but as a place where society advances in the common good.

Why then are governments and business leaders rarely heard to put this case? Because for the most part they are not liberals. Perhaps it goes with the job that politicians of left and right, traditional and modern, have an exaggerated view of their ability to improve on the spontaneous order of a lightly governed society.

It would be even more naive, and contrary to all experience, to expect business itself to favour a liberal outlook. Businesses are ultimately interested in one thing: profits. The business-bashing NGOs are right about that. If businesses think that treating their customers and staff well, or adopting a policy of “corporate social responsibility”, or using ecologically friendly stationery will add to their profits, they will do it. Otherwise, they will not.

Does that make market capitalism wrong? On the contrary, the point of a liberal market economy is that it civilises the quest for profit, turning it, willy-nilly, into an engine of social progress. If firms have to compete with rivals for customers and workers, then they will indeed worry about their reputation for quality and fair dealing—even if they do not value those things in themselves. Competition will make them behave as if they did.

Here, then, is where the anti-business NGOs get their argument completely upside down—with

genuinely dangerous consequences for the causes, sometimes just, which they hope to advance. On the whole, stricter regulation of international business is not going to reduce profits: the costs will be passed along to consumers. And it is not going to diminish any company's interest in making profits. What it may well do, though, by disabling markets in their civilising role, is to give companies new opportunities to make even bigger profits at the expense of society at large.

For example, suppose that in the remorseless search for profit, multinationals pay sweatshop wages to their workers in developing countries. Regulation forcing them to pay higher wages is demanded. The biggest western firms concede there might be merit in the idea. But justice and efficiency require a level playing-field. The NGOs, the reformed multinationals and enlightened rich-country governments propose tough rules on third-world factory wages, backed up by trade barriers to keep out imports from countries that do not comply. Shoppers in the West pay more—but willingly, because they know it is in a good cause. The NGOs declare another victory. The companies, having shafted their third-world competition and protected their domestic markets, count their bigger profits (higher wage costs notwithstanding). And the third-world workers displaced from locally owned factories explain to their children why the West's new deal for the victims of capitalism requires them to starve.

## **If firms ruled the world**

A fashionable strand of scepticism argues that governments have surrendered their power to capitalism—that the world's biggest companies are nowadays more powerful than many of the world's governments. Democracy is a sham. Profits rule, not people. These claims are patent nonsense. On the other hand, there is no question that companies would run the world for profit if they could. What stops them is not governments, powerful as they may be, but markets.

Governments have the power, all right, but they do not always exercise it wisely. They are unreliable servants of the public interest. Sometimes, out of conviction, politicians decide to help companies reshape the world for private profit. Sometimes, anti-market thinking may lead them to help big business by accident. And now and then, when companies just set out to buy the policies they want, they find in government a willing seller. On all this, presumably, the sceptics would agree.

But they miss the next crucial step: limited government is not worth buying. Markets keep the spoils of corruption small. Government that intervenes left and right, prohibiting this and licensing that, creating surpluses and shortages—now that kind of government is worth a bit. That is why, especially in developing countries with weak legal systems, taming capitalism by regulation or trade protection often proves such a hazardous endeavour.

If NGOs succeeded in disabling markets, as many of them say they would like to, the political consequences would be as dire as the economic ones. It is because the sceptics are right about some things that they are so wrong about the main thing.